



STATE MINING AND GEOLOGY BOARD

EXECUTIVE OFFICER'S REPORT

For Meeting Date: October 14, 2010

Agenda Item No. 3: Approval of a Revised Financial Assurance Cost Estimate for the Pt. Richmond (Canal) Quarry (CA Mine ID #91-07-0007), Bottoms Family Trust (Operator), Ms. Mignone Wood (Agent), City of Richmond.

INTRODUCTION: The State Mining and Geology Board (SMGB) is the lead agency for the City of Richmond, pursuant to the Surface Mining and Reclamation Act of 1975 (SMARA, Public Resources Code (PRC) Section 2710, et seq.). SMARA requires that each surface mining operation maintain a financial assurance in an amount adequate to reclaim, in accordance with the requirements of an approved reclamation plan, the land disturbed by the mining operation at the conclusion of mining activities. SMARA lead agencies are required to annually review the financial assurance amounts for each surface mining operation, and adjust the amount, as necessary, to account for new land disturbed, inflation, or land reclaimed. In any event, the lead agency must ensure that the approved amount is adequate to reclaim the mine site according to the reclamation plan requirements (PRC Sections 2770 and 2773.1, and California Code of Regulations (CCR) Section 3804).

STATUTORY AND REGULATORY AUTHORITY: Financial assurance cost estimate adjustment requirements are discussed under SMARA, and within the SMGB's regulations and guidelines. Lead agencies are required to assure that financial assurances for reclamation are sufficient pursuant to Division 2, Chapter 9, Article 5 of PRC Section 2770(d) which states:

"The lead agency's review of reclamation plans submitted pursuant to subdivision (b) or of financial assurances pursuant to subdivision (c) is limited to whether the plan or the financial assurances substantially meet the applicable requirements of Sections 2772, 2773, and 2773.1, and the lead agency surface mining ordinance adopted pursuant to subdivision (a) of Section 2774, but, in any event, the lead agency shall require that financial assurances for reclamation be sufficient to perform reclamation of lands remaining disturbed. Reclamation plans or financial assurances determined to substantially meet these requirements shall be approved by the lead agency for purposes of this chapter. Reclamation plans or financial assurances determined not to substantially meet these requirements shall be returned to the operator within 60 days. Reclamation plans or financial assurances determined not to substantially meet these



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requirements shall be returned to the operator within 60 days. The operator has 60 days to revise the plan or financial assurances to address identified deficiencies, at which time the revised plan or financial assurances shall be returned to the lead agency for review and approval."

In addition, PRC Section 2773.1(a) states:

"...Lead agencies shall require financial assurances of each surface mining operation to ensure reclamation is performed in accordance with the surface mining operation's approved reclamation plan, as follows:

(3) The amount of financial assurances required of a surface mining operation for any one year shall be adjusted annually to account for new lands disturbed by surface mining operations, inflation, and reclamation of lands accomplished in accordance with the approved reclamation plan."

Furthermore, the SMGB's regulations pursuant to Article 11 of the CCR Section 3804, Calculation of Financial Assurance Amount, state:

"(a) The Financial Assurance Amount shall be calculated as prescribed in Public Resources Code Section 2773.1 and based on:

- (1) an analysis of the physical activities and materials necessary to implement the approved reclamation plan;*
- (2) the lead agency's unit costs, or costs for third party contracting, for each of these activities, if applicable;*
- (3) the number of units of each of these activities, if applicable;*
- (4) a contingency amount not to exceed 10% of the reclamation costs.*

(b) The calculated amount should not include the cost of completing mining of the site.

(c) In order for the lead agency or the Department of Conservation to determine what annual adjustments, if any, are appropriate to the Financial Assurance Amount, the operator shall annually submit to the lead agency a revision of the written calculation required under Section 3804(a)."

BACKGROUND: The Canal Quarry site is located at 1005 Canal Boulevard in the City of Richmond, in Contra Costa County, California. The quarry site is situated on a portion of the eastern flank of the Potrero Hills, and is bordered to the north by open space owned by the East Bay Regional Park District. To the south is an above ground bulk liquid tank farm

operated by the Atlantic Richfield Company (ARCO). The site is bordered to the east by Seacliff Drive (formerly Richmond Avenue) and industrial lots used for automobile shipping.

The site incorporates about 25 acres, with topography characterized by an east-facing hillside, a relatively flat quarry floor area situated between the hillside and Seacliff Drive, and an elevated southern quarry floor area in the southern portion of the site. Aggregate mining has ceased at the site, and as of the December 2009 annual inspection the operator had completed all primary reclamation activities, most notably entailed by construction of a large, engineered fill buttress against the western and northwestern (east-facing) quarry cut slope. Rock bolt installation, and extensive revegetation efforts were also implemented during 2009 per the approved (November 8, 2007) Amended Reclamation Plan (hereby referred to as the December 2006 Amended Reclamation Plan).

During conduct of an annual inspection performed by SMGB staff on December 22, 2009, no violations or corrective measures were noted. Currently approximately 7 acres of the Canal Quarry site are deemed disturbed, although all primary reclamation activities have been completed and the site is in the second year of a five year post reclamation monitoring and maintenance period. The existing financial assurance on file for the site is in the amount of \$261,790.43. The Canal Quarry site remains subject to a financial assurance, and the SMGB considers the updated financial assurance cost estimate in the amount of \$117,936.00 to be adequate to conduct and complete reclamation of the mined lands in accordance with the approved reclamation plan.

The revised financial assurance cost estimate reflects a significant reduction (\$143,854.43) compared to the financial assurance currently on file with the SMGB for the Canal Quarry. This reduction is based on consideration of four years of remaining monitoring and maintenance versus five years in the previous estimate, and on use of the "Landscape Maintenance Laborer" craft wage rate versus the higher craft wage rate for "Laborer" utilized in the previous estimate. The following table summarizes the recently submitted adjusted financial assurance cost estimate:

FINANCIAL ASSURANCE COST ESTIMATE (FACE) ADJUSTMENT:

I.	Primary Reclamation Activities	\$ 2,333.76
II.	Revegetation	\$ 73,927.05
III.	Plant Structures and Equipment Removal	\$ 0.00
IV.	Miscellaneous Costs	\$ 0.00
V.	Monitoring	\$ 3,175.80
Total Direct Costs		\$ 79,436.61
VI.	Supervision/Overhead/Contingencies	
a.	Supervision (5.8%)	\$ 4,607.32
b.	Profit/Overhead (12.3%)	\$ 9,770.70
c.	Contingencies (10%)	\$ 7,943.66
d.	Mobilization (1%)	\$ 794.37
Total Indirect Cost		\$ 23,116.05
Total Direct plus Indirect Costs		\$ 102,552.66
Lead Agency administrative cost (15%)		\$ 15,382.90
Total Estimated Cost for Reclamation		\$ 117,935.56
Rounded to Nearest Dollar		\$ 117,936.00

CONSIDERATION BEFORE THE SMGB: The SMGB may take the following actions:

1. Approve as adequate the adjusted financial assurance cost estimate, without modifications;

[or]
2. Modify the adjusted financial assurance cost estimate, and then accept it as adequate;

[or]
3. Reject the adjusted financial assurance cost estimate as inadequate and order it to be redone.

EXECUTIVE OFFICER'S RECOMMENDATION: The adjusted financial assurance cost estimate for the Pt. Richmond (Canal) Quarry has been reviewed for its consistency and completeness in meeting the minimum requirements of SMARA, and the SMGB's regulations and guidelines. SMGB staff has reviewed the adjusted financial assurance cost estimate and considers it adequate to reclaim the site in accordance with the approved reclamation plan. The Executive Officer recommends that the SMGB approve the adjusted financial assurance cost estimate.

SUGGESTED MOTION LANGUAGE:

To approve the Adjusted Financial Assurance Cost Estimate:

Mr. Chairman, in light of the information before the State Mining and Geology Board today, I move that the Board approve the adjusted financial assurance cost estimate of \$117,936.00 for the Pt. Richmond (Canal) Quarry, CA Mine ID #91-07-0007, located in the City of Richmond, as adequate to reclaim the site in accordance with the approved reclamation plan, and as adequate in meeting the minimum requirements of SMARA and SMGB's regulations.

Respectfully submitted:

Stephen M. Testa
Executive Officer